

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1627 - SB 2516

March 10, 2020

SUMMARY OF ORIGINAL BILL: Authorizes the state, counties, and municipalities which purchase land at a delinquent tax sale to convey such property to an eligible veteran. Waives property taxes on the conveyed property for up to 12 months.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Due to multiple unknown factors the precise timing and impact to local government revenue cannot reasonably be determined; however any impact on local revenue is considered permissive.

SUMMARY OF AMENDMENT (016436): Deletes and rewrites all language after the enacting clause such that the substantive changes: (1) authorize the state, counties, and municipalities to convey property purchased at a delinquent tax sale to a local land bank; (2) authorize a local land bank to convey such property to an eligible veteran for a minimum consideration of up to \$100; (3) add a minimum residence requirement a veteran must meet in order to be eligible for conveyance; (4) lower, from \$150,000 to \$75,000 maximum income requirements of veterans for eligibility purposes; (5) remove the mandatory waiver on property taxes applied to any property conveyed to a veteran; (6) decrease, from two to one, the number of properties which a veteran may receive per conveyance; (7) increase, from one to five years, the length of time within which a veteran may request conveyance of property; (8) require a veteran to occupy conveyed property for a minimum of five years ; (9) authorize the veteran to continue use, rent, resell, or donate the property after five years of occupancy by the veteran; and (10) require interest in the property, including any improvements, to revert back to the local land bank if the veteran fails to comply with the conditions of conveyance, with the local land bank eligible to receive reimbursement for court costs and attorneys' fees.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-5-2501, § 67-5-2507, and § 67-5-2509:

- At a delinquent property tax sale, the court clerk makes the initial bid on properties in the amount of taxes, penalties, interest, and costs;
- If the legislative body determines there are environmental or financial risks associated with the property, the court clerk shall not offer a bid on the property;
- If no bid is offered in addition to the initial bid by the clerk of court, the governmental entity takes charge of the property;
- Land taken possession of by a governmental entity is exempt from taxation;
- The property may be sold to a third party at a rate determined by the legislative body to be the highest and best sale price; and
- In lieu of selling to a third party, the governmental entity may convey the property to certain private nonprofit entities.
- The proposed language:
 - Authorizes the state, a county, or a municipality who has purchased land at a delinquent tax sale to convey the property to a local land bank;
 - The local land bank may convey such property to a veteran for a minimum consideration of up to \$100, who has been a resident of the county where the land is located for a minimum of one year, whose annual income does not exceed \$75,000 a year, and who agrees to bring the property into compliance with all applicable building codes and ordinances within 12 months of acquiring the property;
 - Authorizes the veteran to request conveyance of one property within a five year period;
 - Requires a veteran to occupy the conveyed property for a period of five years; and
 - Authorizes the veteran to continue use, rent the property for the veteran's benefit, resell the property, or donate the property to another veteran or a federally chartered veteran's organization which is tax exempt.
- According to the Department of General Services, the state has never purchased property at a delinquent tax sale; therefore this analysis assumes conveyance to a veteran will only occur through the permissive action of a local government.
- Pursuant to Tenn. Code Ann. § 13-30-104(a)(2), all properties of the local land bank are exempt from taxation.
- The proposed language will result in a permissive decrease in local government property tax revenues:
 - If the local government opts to convey property to a local land bank in lieu of selling the property to a third party;
 - If such property is conveyed from a local land bank to a veteran and such veteran subsequently donates the property to an entity which is tax exempt, after such property was placed back on the tax roll for assessment; or
 - If a property conveyed to a veteran reverts back to a local land bank for noncompliance with the terms of conveyance and is removed from the tax roll. This decrease in local revenue is seen as a mandatory decrease resulting from a permissive action on the part of the local government to donate such property to the local land bank and ultimately the veteran.
- The proposed language will result in a permissive increase in local government property tax revenues:

- If property which otherwise would have remained tax exempt due to ownership by a governmental entity or local land bank is placed on the tax roll for assessment upon conveyance to a veteran; or
- If a veteran utilizes the property for a primary residence, as a rental property, or resells the property and such property remains on the tax roll for assessment.
- Any increase in local revenue from collection of minimal considerations paid by eligible veterans is considered not significant.
- Due the multiple unknown factors the precise timing and impact to local government property tax revenue cannot reasonably be determined; however any impact on local revenue is considered permissive.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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